



How Are Human Capacities Shaping Today's World?

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I. Introduction

It gives me great pleasure to take part in the Fifth Forum of Human Resources and Training Managers. I would like to thank the Union of Arab Banks and the World Union of Arab Bankers for granting me the opportunity to give the opening address; an opportunity that presents a great challenge, as I soon came to realize, especially after delving deeper into both sides of the equation of human resource management and the changes occurring in today's world. Considering that the suggested program for this forum covers all the aspects of human resources and training, I saw fit to propose a revised question for my talk, which is the following: "how are human capacities shaping today's world?" with special focus on Lebanon. Allow me, first, to free myself from the constraint of describing humans as "resources", and to rid the expression of "changing world" of any connotation of fatalism or spontaneity. The world is changing not by itself but through the actions of an agent – the human being. It is he who makes decisions, who manages, who destroys and who builds.

It is worth noting, first of all, that the timing of this conference could not be any better. We are gathered at a time when our economy is suffering, because it has been put in the service of money. We are all still preoccupied with the efforts to contain the repercussions of the global financial crisis, which has paralyzed vast economic sectors and has led to the loss of millions of job opportunities. I believe it is necessary for us, as bankers, especially in this part of the world, in oil-rich Gulf countries and in Lebanon, to acknowledge that we are entrusted with astronomical sums of money. With our expertise, wisdom and foresight, we can transform these numbers into an economic wealth that can change the fates of millions of people and unleash their potential to build a better future.

II. Human Resources, Capacities or Capabilities?

The concept of "workforce" is evolving, both in terms of the system to which it belongs and of its nature, usages and scope. In 1776, Adam Smith defined the four components of fixed capital: machines and equipment used in commerce, buildings, lands and labor. Smith also put forth the idea that the productivity of workers is linked to the concept of the division of labor. Then, at the beginning of the industrial revolution, the trinity of land, labor and capital prevailed. After that, Karl Marx and Henry Ford further developed the concept of labor, and in more modern times the three M's of technology – Man, Machine and Material – have become ever more relevant. What is remarkable is that the concept of labor is used as an economic or technical element alongside the other elements of production, such as land, natural resources and capital. In the fields of administration and organization, one can notice a shift from the use of the term "administrative affairs" to "recruitment administration", which later became "employee affairs management", before turning into "human resources management" and most recently "intellectual capital".

The term "human resources" is prevalent in the vast majority of modern literature on business administration, production technology and institutional organization. Many believe that human resources are the most important

asset for companies and institutions, and others refer to them as “intellectual capital”. One also comes across the use of such terms as “human capital investment” alongside financial, natural and social capital. This begs the question: can humans truly be considered as “resources”, in the same way as natural or financial resources? Can the exhaustion and depletion of human resources be accepted? Can they be replaced as “spare parts”? If so, what becomes of the concepts of job happiness, satisfaction, loyalty and ethics, as well as other values we focus on in the field of human resources management?

The intuitive medium that comes to mind when thinking about human resources is the economic unit, since these resources make up the workforce operating under the management and organization of employers or their representatives. Moreover, with the revolution in information and communication technology, which has minimized the possibilities of monopoly over the means of production and innovation, human resources have become the decisive – and possibly the only – factor ensuring distinction and excellence over competitors. It is not surprising, then, that so much attention is directed towards this field and that an independent administrative system is dedicated to it, with the aim of attracting and holding on to skilled and talented personnel, in addition to being tasked with enhancing efficiency, training, development and succession planning.

When using the term “human resources”, many researchers and observers nowadays refer to a wider category of people than before, due to the fact that the boundaries separating the economic unit from external domains are becoming blurry. For example, in quality assessment, client/customer satisfaction is the decisive factor in measuring the quality of a certain product and the precision of related processes, from the stage of needs assessment to after sales services. We have started to acknowledge the presence of humans across all the phases and stages of the supply chain: end-users, distributors, promoters, consultants, designers, etc. Therefore, it is no longer sufficient to manage human resources exclusively within the economic unit; we must rather ensure the satisfaction of the human factor wherever it exists.

These observations, and others of course, make us question whether human resources are truly, as the name suggests, “resources”, and whether it is right to include them in the same category as other resources. A comparison can be drawn here with the concept of energy and its characteristics, since energy is responsible for transforming and shaping things and is the force that drives us forward (or sometimes backwards). The laws of thermodynamics indicate that energy is never lost, but rather transformed from one form to another. These same laws apply to us, humans, the creatures whom God has endowed with the powers of creativity and reflection, and who have invested their capacities to breach the boundaries of shapes, sizes, distances and of time itself. The future certainly holds many changes and transformations for us.

If we try to describe the essence and actions of humans, we notice that they are capable of communicating, empathizing, feeling pain, forgiving, trusting, believing, cooperating, loving, making decisions, hoping and achieving; and, most importantly, they are capable of learning. Everyone has such capabilities, even if it is to varying degrees. And, due to their ability to learn,

people can enhance their capabilities to become dreamers, believers, confident achievers, leaders, etc. Our ability to learn allows us to gain knowledge and to invest this abstract knowledge in practical settings. It is therefore a skill, and the way we use this skill is what makes us different. We are the product of our actions and achievements.

I ask you, therefore, to use the terms “human capacities” and “human capabilities” and to test their relevance to our subject of discussion.

III. Humans and their Ability to Invent the Future

Once upon a time in history, man made a conscious effort to use an acquired skill. Ever since, every piece of new information has led to another, and human intellect has kept growing. The past became a source of inspiration for the present. We do not know exactly how many millions of years ago this intellectual leap occurred, but what is fortunate and most important is that humans have described and internalized this process and have transferred it from one generation to the next. A certain language of communication was developed to express such phenomena, leading to the establishment of the first human society. The rest is history; the history of recollection, communication and learning. The ability to think beyond the constraints of the present by using the skills of the past has allowed people to do thought experiments, to think of possible scenarios, to invent the future in their minds at first and then in the real world. The thrill of achievement was a natural outcome of this trajectory. Human achievement is today what it has always been: ideas turned into achievements in the real world. Modern administration models are centered on the ability to learn, plan, achieve and monitor progress, keeping in mind that the regulatory framework is in constant evolution: its past is different from its future, but does not negate or contradict it. Rather, the past serves as a basis for the future.

I would like to point out another issue while talking about our desired future, which is that in the thick of our preoccupation with the quality of goods and products, we seem to have forgotten about the quality of life, about the deeper meaning of life and the ultimate purpose of humanity. People spend a third of their productive years in the office (or the factory or field), and slowly but steadily, computers, reports and lists are no longer instruments, but active partners with whom employees spend the larger part of their days, while others – all others – turn into mere numbers in consumer or worker lists.

Man’s ability to invent the future makes it necessary for us to clarify the concept of “capacity building” and to distinguish it from the concept of “training”; the former being consistent with “human capacities” and the latter with the concept of “human resources”. Capacity building means providing the necessary components that guarantee efficiency and resilience to allow for positive interaction with the fast-changing needs of people, whether it is at the level of a project, program or even a whole country. Infrastructure development, which is the other side of the coin, means building society’s economic capacities, because it increases society’s ability to improve trade, job opportunities and economic growth, thereby improving the quality of life.

And “institutional capacity” is the real index measuring the robustness/fragility of the infrastructure.

IV. Lebanon: People and their Future

Lebanon’s main source of wealth is its human capacities (particularly the capacities of its youth), and money inflow from Lebanese expatriates (and in part from Arabs) is the backbone of the Lebanese banking sector. Are these two sources of wealth really connected? Are Lebanese universities generating adequate human capacities for managing Arab money? And are Lebanese banks contributing to the national economy in a way that is proportionate with the money in their possession?

Some statistics: an International Labor Organization report reveals that two thirds of Lebanon’s population is capable of working and that only one third actually works (around 1.2 million people)¹, in addition to a foreign workforce of about one million people. These numbers are close to the ones mentioned in a study about living conditions in Lebanon, which estimated that the percentage of people aged 15 and above who work is 40% of the total number of residents belonging to the same age group. There is also a clearly noticeable gender gap, with 61% of men working, while only 19% of the female population working. Regional imbalances also cause waves of internal migration, as a first step towards immigration. It is worth mentioning here that Lebanese expatriates send roughly \$7 billion into the country every year, making up roughly 22% of the GDP.

According to the statistics of the periodical bulletin of Lebanese banks (April 2010 issue), banks employ around 20,000 people, 67% of whom have university degrees and 45% of whom are women. 94% of these people are hired by Lebanese retail banks, 4% work in branches of foreign banks and only 2% work in commercial banks. The share of the banking sector in the GDP amounts to 4.8%, making it the third after trade (9.4%) and transport and telecom (6.9%). This means that the share per capita of banking sector employees is three times that of workers in other sectors. Therefore, the effect of any investment aiming to improve the human capacities of the banking sector will be amplified in terms of GDP.

By examining these numbers, we notice that there has been steady improvement in growth rates and that the public debt to GDP ratio has decreased (reaching 148% after being 180% in 2006). However, despite smoothly overcoming the global financial crisis, which encouraged many countries to draw lessons from the Lebanese performance and established Lebanon as a safe haven of wealth both for neighboring countries and for expats, and despite all the other positive indicators, there are still deep issues and structural imbalances that need to be addressed, especially since these issues and imbalances have to do either with the banking sector or with human capacities, which are the subject of this conference.

¹ The numbers mentioned above are estimations based on numerous sources.

V. Important Indicators

Lebanon's ranking in the Growth Environment Scores² is 140th out of 179 countries. These scores are based on 13 indicators grouped in 5 main categories: macroeconomic stability (inflation, shortage, foreign debt compared to GDP), macroeconomic conditions (investment rates, economic openness), human capital (life expectancy at birth, educational attainment level), technological capacities (the rate of personal computer, internet and mobile phone use) and political conditions (political stability, rule of law, corruption levels). It is worth noting that despite this low ranking, Lebanon attracts large and promising amounts of capital and has good general financial performance. This promising reality is due to the fact that Lebanon has not once failed to fulfill its financial commitments and that it is trusted by donors and has important liquidity reserves. What gives us hope is that all the negative indicators mentioned above can be improved with proper resolve and management.

I will end my address with a series of motivational questions linked to the indicators of the banking sector and its relationship with human capital:

- What stops banks from contributing to the general economic and social framework? The strengths we currently have (expat money transfers, tourism, regional money, international considerations) are all foreign factors that are hard to control. By contrast, enhancing the investment climate, generating job opportunities and improving citizens' purchasing power are all local, sustainable and reliable factors. This grand issue, of course, can be broken up into smaller, practical and measurable processes such as loan ratios in private sector projects, investment in treasury bonds and certificates of deposit, the actual rate of contribution of banking sector employees, etc.

- Women make up 45% of banking sector employees, and that is a praiseworthy percentage. However, what becomes of this percentage if we measure women's participation in decision-making in the banking sector and in setting banking policies and orientations? What is the number of women who hold the position of CEO or Director-General? Why is it that women are only given leadership roles in branch administration or marketing? Also, when will we see women in the position of First Vice-Governor of the central bank? I even hope to one day see a women assuming the position of Governor of our central bank.

- There is a high percentage of youth among banking sector employees who are eager to refine their skills and widen their personal horizons. Is there any initiative to measure the job loyalty and job satisfaction of this youth? Is anyone measuring the level of harmony and consistency between their self-development efforts and the efforts to develop the institutions in which they work, including the development of the banking sector and the supporting social and economic environment?

My last question relates to a very important (and possibly the most important) aspect of this sector, which is analyzing the nature of the tasks given to the employees and measuring whether or not they enhance or diminish their soft

² Growth Environment Scores developed by Global Investment Bank Goldman Sachs

or behavioral skills, such as leadership, team work, effective communication and others. In other words, we need to measure how much these tasks promote creativity and innovation and generate administrative and economic knowledge. That is the ultimate gift we can offer to enhance people's wellbeing and dignity, with the hope of contributing in practical and tangible ways to human civilization.

Thank you.